

**MINUTES
REGULAR MEETING
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**Friday, April 17, 2009
8:30 A.M., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Dave Byers, Vice-chair, acting as Chair of the ASRS Board, called the meeting to order at 8:32 AM, MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Dave Byers, Vice-chair
Mr. Chris Harris
Mr. Jaime Gutierrez (via telephone)
Dr. Keith Meredith
Mr. Larry Trachtenberg
Mr. Steve Zeman
Mr. Tom Connelly
Mr. Jim McLaughlin

Absent: Mr. Michael Townsend, Chair

A quorum was present for the purpose of conducting business.

2. Presentation and Discussion Regarding the PRIDE Award for Professionalism

Mr. Paul Matson, Director, and Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, presented the PRIDE Award for Professionalism to the ASRS Accounts Payable/Payroll Team and the MSD Walk-in Team. The Teams were nominated by their peers as teams committed to professional service. The teams exemplify the PRIDE qualities of professionalism: *"I know the importance of leaving everyone with a good impression of the ASRS. I am honest, trustworthy, courteous and respectful, even when faced with adversity. I have the knowledge, skills and abilities necessary to do my job well."* The members of the Accounts Payable/Payroll Team are Tonia Nemecek, Lynne Latino, and Kristin Berry. The members of the MSD Walk-in Team are Julie Lockwood, Brenda Beckett, Margaret Bellum, Pat Garcia, Jennifer Flojo, Pam Grant, Bill Prosser, Don Mosch, Emily Reynolds, Rick Flores, Peggy Dangler, and Becky Fox.

Mr. Larry Trachtenberg joined the meeting at 8:34 AM.

3. Approval of the Minutes of the March 20, 2009 Regular Session and Executive Session of the ASRS Board

Motion: Mr. Steve Zeman moved to approve the minutes of the March 20, 2009, Regular and Executive Session of the ASRS Board.

Mr. Chris Harris seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

4. Approval, Modification or Rejection of Recommended Administrative Law Judge's Decision Regarding Mr. John Gustafson's Long Term Disability (LTD) Appeal and Request for Reconsideration

Mr. Thomas McClory, Assistant Attorney General, noted a potential issue to consider in Mr. Gustafson's case is the difference between the LTD programs of ASRS and CORP. Prior to becoming medically disabled, Mr. Gustafson did not have an active 12 months of service to meet the minimum requirement to receive LTD benefits from the ASRS; he only obtained 12 months total, due to leave donations from co-workers. He asserts he should be given LTD benefits because he paid for LTD benefits at CORP and the ASRS.

Mr. McClory stated the problem is the legislature created systems (ASRS and CORP) that do not mesh. There is legislation being considered to correct issues such as this, going forward, however it would not affect Mr. Gustafson.

Motion: Dr. Keith Meredith moved to schedule a rehearing before the ASRS Board at the May 15, 2009 Board Meeting. In the interim, staff is to meet with the other agencies involved and try to arrive at a mutual resolution.

Mr. Tom Connelly seconded the motion.

Dr. Meredith amended the motion to invite the Attorney General's Office to be part of the review and discussion.

Mr. Connelly concurred.

By a vote of 7 in favor, 1 opposed, 0 abstentions, and 1 excused, the motion was approved.

5. Presentation, Discussion and Appropriate Action Regarding the 2009 Legislative Session

Mr. Patrick Klein, Assistant Director, External Affairs Division, and Ms. Lesli Sorensen, Government Relations Officer, addressed the Board regarding the 2009 ASRS legislation. Ms. Sorensen gave a general update highlighting bills of interest, and stated there has not been much activity regarding the bills to date, due to the focus on State budget issues.

6. Presentation, Discussion and Appropriate Action Regarding Outcomes

Mr. Paul Matson addressed the Board regarding the Strategic Plan approved by the Board in February 2006. The Plan was on a calendar-year basis; the new Plan, which will be presented in May, is being moved to a fiscal year basis to align with the budget cycle.

Mr. Guarino and Ms. Sara Orozco, Strategic Planning Manager, presented the strategic outcomes of the Plan. Mr. Guarino said the Plan has been successful in helping staff focus on high levels of achievement. Mr. Guarino reported staff has met or exceeded three quarters of the stated objectives. Also, the ASRS has become a top quartile performer in comparison to

peers and is demonstrably more timely, accessible, responsive, and reliable. Mr. Guarino noted the changes to the Plan design have saved members and employers \$130 million per year. Ms. Orozco gave a detailed assessment of the Plan status as of the end of calendar year 2008.

Mr. Zeman would like to enhance member service and data integrity, and would like a cost estimate relating to the IT cost of implementing suggested service enhancements. Mr. Matson mentioned that staff currently uses a return on investment method.

Mr. Matson said individual goals are weighted equally for an aggregate measure and/or a result, but the aggregate doesn't measure the relative importance of the goals. Staff will work to rectify the reporting.

Mr. Harris would like the Investment Goals formally brought to the Investment Committee (IC). Mr. Matson said the goals have been reviewed on an ongoing basis, but will now be formally presented to the IC.

Mr. Matson congratulated staff on the achievement. Mr. Byers and Mr. Harris recognized staff as well.

7. Director's Report

Mr. Matson stated the Back Office RFP selection has been finalized and will be brought to the IC to discuss potential modifications to current consultant "scopes-of-work." The actuarial audit task order review committee will begin meeting today. Staff expects to present a vendor for selection for the health insurance RFP at the May 15, 2009 Board meeting. At the last IC meeting, the IC decided not to commit to any new private investment deals through June 30, 2009. New deals are still being reviewed, but the ASRS is being cautious in the short term.

8. Possible Presentation Regarding Board Committee Updates

Mr. Jaime Gutierrez, Chair, External Affairs Committee (EAC), stated that the next EAC meeting will take place May 1, 2009. The EAC is waiting for legislative action.

Mr. Tom Connelly, Chair, Investment Committee (IC), stated there were two recent IC meetings and the next IC meeting will take place May 11, 2009. Consultants and staff updated the IC on their views of the market. The Director and CIO informed the IC of their decision to continue deferring new private investments through June 30, 2009. The IC will be considering investment governance modifications.

Mr. Dave Byers, Chair, Operations Committee (OC), stated the OC meeting will be on April 24, 2009, and the OC will discuss web services and health care.

9. Board Requests for Agenda Items

There were no requests for agenda items.

10. Call to the Public

Ms. Janelle Larson addressed the Board regarding her views on the health care provider for retirees. Mr. Byers told her the OC will be discussing the Health Care RFP at the next meeting.

11. The next ASRS Special Board meeting is scheduled for Thursday, May 14, 2009, at 1 p.m. The next ASRS Regular Board meeting is scheduled for Friday, May 15, 2009, at 8:30 a.m., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

12. Adjournment of the ASRS Board

Mr. Byers adjourned the Board meeting at 9:48 AM.

ARIZONA STATE RETIREMENT SYSTEM

Lisa Hanneman, Secretary

Date

Paul Matson, Director

Date